

ASX ANNOUNCEMENT

29 January 2018

THIRD SUCCESSFUL WELL RESULT ON THE SM 71 DEVELOPMENT

- **SM 71 F3 reached total depth of 7,717 feet MD in 22 days and ahead of schedule**
- **D5 Sand logged 175 feet net true vertical thickness (TVT) oil pay**
- **The F3 intersection of the D5 extends the oil column down dip by an additional 150 feet**
- **7 5/8" casing is being run to bottom for future D5 completion**
- **First Production from F1, F2 and F3 wells expected March 2018**

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to advise that its OCS-G34266 #F3 well ("F3") on South Marsh Island Block 71 ("SM 71"), was drilled to a final total depth of 7,717 feet Measured Depth ("MD") on 26 January 2018. After logging the well with open hole triple combo logging tools on 27 January 2018, operations to run 7 5/8" casing to total depth prior to temporary suspension for completion in the D5 Sand are underway. Hydrocarbons in five discrete intervals were measured using both Log While Drilling (LWD) gamma ray and resistivity tools and wireline Triple Combo porosity tools.

The primary target in the F3 well was the D5 Sand which logged 211 measured depth feet of oil pay (175 feet TVT net oil pay) as determined by open hole logs. While only 70 feet away from the previously drilled SM 71 F2 well, the D5 Sand was 45 TVT feet thicker in the F3 and exhibits excellent rock properties with porosities in the 32% range. With the base of the D5 Sand in the F3 well 150 feet below the base of D5 Sand in the F2 well, the D5 Sand oil column has been further extended downdip. This means the total oil column proven by the three D5 wells is an astounding 1,160 feet. The F3 well will be the second take point in the D5 Sand reservoir at SM 71. The SM 71 F1 well drilled in 2016 will be the other D5 producer and contains 91 feet TVT net oil pay in an updip position.

With the additional penetration of the D5 Sand in the F3 well, the Operator has re-evaluated pay counts in the F2 well based on bed geometry and well bore angle. This has resulted in an increase in TVT oil pay thickness in the F2 well from the previously reported 117 feet TVT net oil pay to 132 feet TVT net oil pay. These net pay counts will result in a reserve upgrade for the D5 Sand in the Company's next reserve report.

Because of the northerly well bore trajectory of the F3 well, only the very updip portions of the three other oil sands were penetrated. The J1, B55 and B65 Sands each logged approximately 5 feet TVT net oil pay in the F3 well, consistent with pre-drill expectations. The data points of these three sands will serve to delineate the size of each reservoir for future reserve determinations.

In addition to the J1, B55 and B65 zones, the F3 well also intersected 12 feet TVT net oil pay in the C10 which is productive in other parts of the salt dome but, to date, not productive at SM 71. Pre-drill mapping did indicate that the F3 would be at the very updip edge of the C10 in this well bore and this result sets up a further opportunity to be exploited in future well bores.

The F3 well marks the end of the 2017 drilling program. The next phase of the SM 71 project will be to complete the F1, F2 and F3 wells for production utilizing modern sand control techniques common to the Gulf of Mexico to optimize production rates and longevity. Concurrently, final piping and instrumentation work on the SM 71 F platform is nearing completion. Production start-up is targeted for March. It is anticipated that the three wells will utilize a high percentage of the SM 71 F Platform’s oil and gas production capacity.

Otto holds a 50% working interest (40.625% net revenue interest) in South Marsh Island Block 71 through a wholly owned subsidiary Otto Energy (Louisiana) Inc. The operator, Byron Energy Inc., a wholly owned subsidiary of Byron Energy Limited (ASX: BYE) holds the remaining 50% working interest.

Otto will issue progress reports regarding the ongoing completion operations at SM 71 as material developments occur.

Otto’s Managing Director, Matthew Allen, commented: *“Just like the results of the SM 71 F2 well, the SM 71 F3 well has delivered an exceptional result for the joint venture and the ultimate production life and value of the field.*

Not only will the result increase the D5 reserves, but the well has also shown that the J1, B55, B65 and C10 Sands are worthy of further evaluation as potential future drilling prospects which, in a success case, would be produced through the SM 71 F production platform.

The Operator is to be congratulated on success of the drilling program and conduct of operations. We now look forward to commencing production in March 2018 with production rates ramping up over several weeks as the wells and platform are brought on line.”

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